

Washington State Auditor's Office
Audit Reports Disclosing Fraud Over \$5,000
January 1, 2003 Through December 31, 2003

Entity Name	Audit Number	Amount	Fraud Description
University of Washington – Department of Pathology (UWATS Telephone Card Abuse)	6339	\$40,510	Unknown Department employee(s) made unauthorized long-distance telephone calls over a six-month period. All Department employees were assigned the same UWATS access code, and telephone use reports were not monitored in a timely manner.
University of Washington – Department of Intercollegiate Athletics (UWATS Telephone Card Abuse)	6339	\$40,000	A former Department employee made unauthorized long-distance telephone calls over a three-year period using the UWATS access code of another employee. Telephone use reports were not monitored in a timely manner.
Eastern Washington University – Pence Union Building Bookstore (Inventory)	Letter	\$30,419	An Internet book-buyer suspected an employee was selling textbooks from the University bookstore to his firm. The University Police Department's investigation confirmed that the employee misappropriated textbooks and sold them for personal gain to three Internet book-buying firms.
City of Chelan - Parks and Recreation Department (Cash Receipts)	64579	\$13,669	A Deposit Clerk circumvented the City's internal controls and misappropriated \$1,143 over a two-week period. The employee was a courier who picked up cash receipts from decentralized Department locations and signed documents acknowledging receipt of the funds. However, bank deposits either were not made or were less than what was collected. Also, the City was unable to determine who was responsible for \$12,526 in additional losses from missing bank deposits because the transfer of accountability for this money was not documented. Some cash register tapes were destroyed in an attempt to conceal some of these losses. The City did not promptly reconcile decentralized cash collection records with bank deposits.
City of Poulsbo – Municipal Court (Cash Receipts)	64783	\$290,227	A temporary Court employee questioned a cash receipt transaction from Night Court. A citizen had paid in cash and was issued a manual receipt. However, the Court Administrator had written off the citizen's account as a community service non-cash credit transaction. The City's investigation found that the Court Administrator misappropriated \$5,127 from 49 manual cash receipt transactions over a five-year period by entering false information into the court's accounting system. The Court Administrator also used the reprint capability of the cash receipting system to create false duplicate cash receipt forms that were used in an attempt to conceal these irregular transactions. Our audit found that the Court Administrator also misappropriated \$285,100 from 254 collection agency payments to the Court. The Court Administrator had incompatible duties when she substituted for other employees who normally performed the cash receipting function. In addition, the City did not properly monitor the work of the Court Administrator to ensure that all manual cash receipt transactions and all collection agency payments were properly accounted for in the accounting system and deposited in the bank. The City did not properly monitor accounts receivable transactions and credit transactions in the Court to ensure all funds were properly accounted for and that all account adjustments were authorized, approved, and properly supported. The Court Administrator was sentenced to 57 months in a state correctional facility.

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Department of Corrections (Bogus Check Losses in Bank Accounts)	Letter	\$12,801	The Department did not promptly reconcile its local fund bank accounts at three correctional centers/complexes. As a result, 24 bogus checks valued at \$12,594 cleared the bank. One or more unknown individuals outside the Department issued these checks against the Department's bank accounts. In addition, the Department paid an offender \$207 from resident account funds prior to receiving a check from a vendor who employed the inmate on work release. The vendor's check was returned for insufficient funds.
Department of Social and Health Services - Economic Services Administration – Division of Child Care and Early Learning (In-Home Child Care Providers in Mattawa, WA – False Claims on Reimbursements for Services Rendered)	6370	\$839,071	The Department's Division of Fraud Investigations investigated 50 in-home childcare providers regarding possible improper payments. Our review of these investigations determined 13 providers reported Social Security numbers that were assigned to other people. Some providers did not provide accurate and complete information on the criminal history and background information form. The Department does not perform any procedures to verify that the correct Social Security number has been provided or that an applicant has supplied his or her real name. A nationwide background search is not used to screen all license applicants. The Department paid \$839,071 to 12 providers. Data was not yet available on the remaining provider at the time our audit report was issued. The amounts of the inappropriate payments to these providers were: \$43,719, \$36,243, \$62,062, \$145,070, \$21,249, \$129,652, \$39,994, \$241,522, \$31,924, \$13,329, \$44,417, and \$28,889. Also, we found all providers billed the Department for services even though they could provide little or no support that they provided the care. Some providers falsified child attendance records. The Department did not make attendance documentation and its verification a priority. We conservatively estimate that \$2 million in federal Child Care Development Funds was paid to 47 providers during the period we reviewed.
Edmonds School District – Business and Operations Department Central Office (Cash Receipts)	65004	\$143,150	An Accounts Receivable Bookkeeper misappropriated \$143,150 from the Central Office of the District's Business and Operations Department. Accounting records were falsified in an attempt to conceal these losses. The employee stated that she began taking currency from cash receipts that were turned in to her for deposit by decentralized cash receipting locations and departments throughout the District. She then manipulated District accounting records to conceal the losses. She subsequently began manipulating customer accounts receivable payments and other transactions. The losses are in two categories: accounts receivable balances that were written off when customers proved the outstanding amount due had previously been paid (13 accounts at \$86,675.60) and unrecorded revenue from decentralized locations and miscellaneous sources that were deposited to the credit of others in the accounting system (eight transactions at \$56,474.19). The employee controlled almost all facets of the accounts receivable system and had incompatible duties. She also performed cashiering duties and received funds from all sources both inside and outside the District. However, the District did not properly monitor the work of this key employee. For example, while the District verified that the total amount of funds received were deposited in the bank, it did not verify that the check and cash composition of the daily bank deposit agreed with the mode of payment of the actual cash receipts issued each day.
Housing Authority of the City	65111	\$7,257	The former property management employees of an apartment complex misappropriated \$7,257 from

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of Vancouver – Village Park Apartments (Cash Receipts)			the Housing Authority. Accounting records were falsified to conceal these losses, and many accounting records were prematurely destroyed. Delinquent account balances were written off because tenants proved that their rent had been paid on time (\$2,500). False apartment rental credits were recorded for tenants who were not entitled to them (\$1,415). The amount of rent revenue recorded in the property management company's accounting system, less legitimate apartment rental credits, exceeded the amount of the actual bank deposits made at the Housing Authority. The Authority did not properly monitor the revenue operations or apartment rental credits.
South Whidbey School District (Payroll)	65382	\$9,229	The Payroll Officer falsified her payroll records to increase her pay through unauthorized means. As a result, the District paid her personal obligations at three financial institutions as well as her medical insurance premiums. In addition, she increased her own net pay by recording negative employee deductions. The Payroll Officer performed practically all payroll functions. However, her work was not appropriately monitored by the District.
City of Seattle - Police Pension and City Employees' Retirement Systems (Unauthorized Retirement Benefits After Death)	65537	\$302,883	In the Police Pension Fund, a relative of a deceased pension recipient falsified the required annual certification for existence in order to receive \$283,169 in unauthorized benefits on behalf of the recipient since 1986, the date of the individual's death. In the City Employees' Retirement System, three relatives of deceased pension recipients failed to notify the City of the deaths and received a total of \$19,714 in benefits for more than one year after the date of the individual's death.
Snohomish County – Department of Corrections (Bail Funds Held as Evidence)	65636	\$10,000	The Department receipted \$20,000 in bail funds on February 27, 2003, and held the money in a safe pending possible seizure by the Snohomish County Drug Task Force. When the Task Force counted the money on March 7, 2003, \$10,000 was missing. The Department was unable to determine who was responsible for the loss. Internal controls over bail funds were inadequate.
King County – Medic One Program (Payroll)	65688	\$21,607	A Fiscal Specialist manipulated payroll records to misappropriate funds through improper payroll disbursements to herself and another individual over a period of three years. These payments included unauthorized overtime, regular pay misclassified as overtime, payment for time not worked, and payment at more than the authorized pay rate. In addition, these individuals received \$12,737 in questionable pay. The Fiscal Specialist performed too many duties in payroll, and a supervisor did not adequately monitor her work.
Klickitat Valley Health Services (Unlawful Investment)	65685	\$432,000	In March 2003, we reported that the Hospital attempted to make an illegal investment. The Hospital issued a contract for the purchase of a power plant without using competitive bid procedures. The Hospital then made \$440,000 in payments under this contract. These payments went to the contractor for the power plant and were then transferred to a real estate developer's account. The developer then transferred the funds to the entity where the Hospital originally tried to make the illegal investment. The contractor returned \$8,000 to the Hospital. But, all other funds were lost in this investment scam. Based on representations of the former Chief Financial Officer, the Board believed it was approving a contract for equipment.
Prosser School District (Missing Vault Funds)	Interim	\$10,000	Funds were misappropriated from the District High School vault over a weekend. Video surveillance cameras did not detect any irregular activity during this time period. Responsibility for

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			the loss could not be determined.
State Agencies and Local Governments (47 Cases)- Summary of All Cases Less Than \$5,000	Various	\$50,571	Losses included: Shortages from missing cash receipts (\$23,687); Cash disbursements (\$7,631); Theft or misuse of purchase cards (\$6,628); Payroll (\$5,418); Shortages from missing change and imprest funds (\$5,022); Long-distance telephone abuse (\$2,085); and, Theft of assets (\$100).
Total 2003 Fraud Audit Reports	62	\$ 2,253,394	